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Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-01 INR-07
L-03 NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15
USIA-06 AID-05 COME-00 EB-08 FRB-03 TRSE-00
XMB-02 OPIC-03 LAB-04 SIL-01 OMB-01 EA-10 CPR-01
/097 W
----------016096 271432Z /43
R 271126Z DEC 77
FM AMEMBASSY BUCHAREST
TO SECSTATE WASHDC 7122

LIMITED OFFICIAL USE SECTION 1 OF 2 BUCHAREST 9191

EUR/EE FOR ANDREWS, EUR/EX FOR TULL FROM SIMONS

E.O. 11652: N/A
TAGS: OGEN, RO
SUBJ: HELPING THE BUCHAREST DIPLOMATIC CLUB

1. EMBASSY SUPPORTED BUCHAREST DIPLOMATIC CLUB FOR MANY YEARS BY FACILITATING HARD-CURRENCY PURCHASES OF GOODS ABROAD AND ACCEPTING LEI IN RETURN. THIS PRACTICE WAS CUT OUT IN 1974, AS CONTRARY TO REGULATION, AND, AS WE UNDERSTAND IT, ON RECOMMENDATION OF INSPECTORS. INTS SILINS OF EUR/EE WAS INVOLVED, AND MAY PERHAPS BE ABLE TO FURNISH MORE AND BETTER BACKGROUND THAN WE CAN.

2. THIS AUTUMN MFA PROTOCOL DIRECTOR MIRCEA ANDREI (WHO ALSO SERVES AS CLUB'S SECRETARY GENERAL) REQUESTED A ONE-SHOT RENEWAL OF SUCH ASSISTANCE, IN THE AMOUNT OF DOLLARS 20-30,000, "WITHOUR PRECEDENT" BUT WITH THE OPTION TO REPEAT REQUEST ON A CASE-BY-CASE BASIS IN SUBSEQUENT YEARS. HIS GROUNDS WERE THAT SINCE CESSATION OF AMERICAN ASSISTANCE
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IN 1974 CLUB HAS SHOWN A CONSISTENT DEFICIT ON CURRENT ACCOUNT OF APPROXIMATELY 1.5 MILLION LEI ANNUALLY. (HOWEVER, WE MIGHT NOTE HERE THAT, ACCORDING TO FIGURES FOR THE CLUB'S 1977 BUDGET, CLUB IS COMING OUT AHEAD 191,000 LEI.) ASSIS-TANCE IN GOODS FROM "SOCIALIST" COUNTRIES HAS HELPED, AND GOR SUPPORTS EXTRAORDINARY EXPENSES

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(EARTHQUAKE REHABILITATION, MAJOR BUILDING SUCH AS
INDOOR TENNIS COURT PRESENTLY CONTEMPLATED), BUT WILL
NOT COVER CURRENT ACCOUNT DEFICIT. UNLESS ASSISTANCE
FROM EMBASSIES FORTHCOMING, CLUB MAY WELL CURTAIL
OPERATIONS SIGNIFICANTLY AND EVEN CLOSE.

3. IN SUBSEQUENT CONVERSATIONS WITH CLUB DIRECTOR
JIANU (FORMER MFA PROTOCOL DIRECTOR) ANDREI AND
OTHER DIPLOMATIC REPS HERE, IT HAS TRANSPIRED THAT:
-- CLUB IS AUTHORIZED TO IMPORT GOODS FOR RESALE
ON ITS OWN HOOK, BUT LACKS HARD-CURRENCY WHEREWITHAL TO
DO SO;
-- CLUB HAS MADE SPECIAL GENERAL PLEA FOR ASSISTANCE
AT LAST MEETING OF ITS BORAD, USING SAME ARGUMENTATION
ANDREI MADE TO US, BUT WITHOUT OPENING BOOKS TO REAL
CONTROL AND WITHOUT EXPLAINING SOURCES OF FUNDS
FOR EXTRAORDINARY STRUCTURAL IMPROVEMENTS, SUCH AS
TENNIS COURT;
-- OTHER MISSIONS, WITH POSSIBLE SPECIAL
EXCEPTION OF JAPANESE, HAVE EVINCED UNWILLING-
NESS TO UNDERTAKE ARRANGEMENTS FOR SPECIAL
ASSISTANCE;
-- JAPANESE DECISION IS CLEARLY LINKED TO
GOR WILLINGNESS TO GIVE BACK GOLF COURSE TAKEN
FROM CLUB IN DECEMBER 1976 FOR CONVERSION TO
PUBLIC PARK; DEPARTING JAPANESE AMBASSADOR DEVOTED
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SOME 40 PERCENT OF LAST CALL ON CEAUSESCU TO TOPIC,
THREATENING TO KEEP JAPANESE BUSINESSMEN FROM
COMING TO BUCHAREST UNLESS COURSE RESTORED; AND
CLUB DIRECTOR IS NOW MAKING OPTIMISTIC NOISES, BUT
FOR SPRING OF 1978.

4. IN OUR "BILATERAL" CONVERSATIONS WITH CLUB AND
WITH ANDREI, WE HAVE POINTED TO DESIRABILITY OF
SPREADING BURDEN BEYOND U.S. AND INDICATED OUR
DESIRE TO HELP WITHIN LIMITS OF U.S. REGULATIONS
WHICH CLEARLY PRECLUDE ASSISTACE IN ITS PRE-1974
FORM. ANDREI HAS RESPONDED WITH CHARACTERISTIC
BLUSTER, ALLUDING TO "EXTRAORDINARY" FACILITIES
GRANTED U.S., SUCH AS SUPPORT FLIGHT; CLUB DIRECTOR
HAS BEEN MILDER, BUT STILL INSISTENT.

5. WE ARE NOT SATISFIED THAT CLUB IS IN FACT ON THE
ROCKS WITHOUT EMBASSY ASSISTANCE. ON OTHER HAND,
CONCLUSIVE EVIDENCE AS TO ITS REAL CONDITION
IS UNLIKELY EVER TO BE FORTHCOMING, GIVEN THE
WAY GOR OPERATES IN SUCH MATTERS, AND EVIDENCE OF
REAL TROUBLE IS PROBABLY SERIOUS ENOUGH EVEN AT

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THIS POINT TO BE TAKEN SERIOUSLY. AVAILABILITY OF
CLUB SERVICES IS AN IMPORTANT ELEMENT IN GOOD
EMBASSY MORALE, ESPECIALLY IN SUMMER MONTHS AND
ESPECIALLY FOR NON-LANGUAGE-TRAINED STAFF AND
THOSE WITH LARGE FAMILIES, AND ANY SIGNIFICANT
CUTBACK IN SERVICES WOULD HAVE A DAMAGING EFFECT.
IMPLIED THREAT FROM ANDREI TO CUT BACK ON
OTHER FACILITIES PRESENTLY ENJOYED BY EMBASSY IN
RETRIBUTION FOR REFUSAL TO ASSIST SHOULD PROBABLY
NOT BE TAKEN AS SERIOUSLY; AT THE SAME TIME,
COMMUNIST GOVERNMENTS HAVE BEEN KNOWN TO INDULGE
BEFORE IN THIS SORT OF RETRIBUTIVE WINDING DOWN,
AND IN OTHER INSTANCES U.S. HAS FOUND IT DIFFICULT
ADEQUATELY TO RESPOND TO SUCH NICKEL-AND-DIMING
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ON RECIPROCAL BASIS.

6. ON BALANCE, EMBASSY BELIEVES IT WOULD BE
DESIRABLE TO HELP CLUB, IF IT IS POSSIBLE TO DO SO
WITHIN CURRENT U.S. REGULATIONS. READING OF
PERTINENT PROVISIONS OF 4 FAM 360-365 DOES NOT MAKE
US OPTIMISTIC. FACILITATION OF KIND WE OFFERED

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/097 W
----------015704 271432Z /43
R 271126Z DEC 77
FM AMEMBASSY BUCHAREST
TO SECSTATE WASHDC 7123

LIMITED OFFICIAL USE SECTION 2 OF 2 BUCHAREST 9191
PRIOR TO 1974 IS CLEARLY EXCLUDED. ONLY REAL

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POSSIBILITY WHICH HAS OCCURRED TO US IS FOR AMERICAN SCHOOL OR SINAIA VILLA ASSOCIATION, BOTH OF WHICH CAN IMPORT GOODS FROM ABROAD DUTY-FREE, TO DO SO AGAINST LEI PAYMENTS, AT THE OFFICIAL RATE OF EXCHANGE, FROM THE CLUB9' #923;34, ASSOCIATION DOES NOT HAVE RESOURCES TO UNDERTAKE THIS ACTIVITY, AND SCHOOL DIRECTOR INFORMS US HE DOES NOT NEED, AND CANNOT CARRY, LEI BALANCES IN QUANTITIES WHICH WOULD BE GENERATED.

7. CONSEQUENTLY, WE HAVE TWO QUESTIONS, ONE SPECIFIC AND ONE GENERAL:
-- CAN EMBASSY NUY LEI GENERATED IN THIS FASHION FROM AMERICAN SCHOOL FOR DOLLARS?
-- CAN DEPARTMENT SUGGEST OTHER PERMISSIBLE MEANS FOR THE EMBASSY TO ASSIST CLUB ON A ONE-SHOT BASIS
AT THIS JUNCTURE? ADVISE.
AGGREY

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TAGS: OGEN, RO
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